

~~ROUTING~~

Top Secret

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_____ NATIONAL INTELLIGENCE DAILY CABLE _____

_____ Saturday July 3, 1976 _____ CI NIDC 76-156C _____

State Dept. review completed

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, July 3, 1976

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

LEBANON

[REDACTED] Tall Zatar refugee camp in east Beirut is still holding out despite heavy attacks by Christian forces early yesterday. The Christian offensive was slowed by a Palestinian relief column that has moved to within 2 kilometers (1.25 miles) of Tall Zatar.

[REDACTED] Phalangist forces reportedly have offered safe passage to the leftist-Palestinian lines for anyone choosing to surrender. They say they have taken some 300 prisoners, but the US embassy believes the figure to be closer to 100.

[REDACTED] Violent fighting--including heavy bombardments and hand-to-hand combat--continued yesterday along the city's demarcation lines and in all of Beirut's northeast and southeast suburbs.

[REDACTED] The fall of Tall Zatar will probably touch off even more violence by extremists on both sides. Radical Christians are saying that the remaining refugee camps will be stormed one by one until the last Palestinian redoubt is taken. The Palestinians are vowing to retaliate. We have no information on specific targets; thousands of Christians live in Muslim-controlled areas of the city.

[REDACTED] The West German embassy in Beirut has announced plans for an overland convoy to Damascus on July 4. As of yesterday, some 32 Americans and alien dependents had signed up.

[REDACTED] The protracted battle of the camps has prompted yet another pan-Arab effort to stop the bloodletting. Arab League Secretary General Riyad and two Arab foreign ministers arrived in Beirut yesterday--a day later than scheduled--and immediately began meeting with Christian leaders. As of midnight last night, the Christians were apparently willing to respect a cease-fire provided all parties agree to adhere to the 1969 Cairo accords that restrict the movements of the Palestinians within Lebanon.

25X1 [] The leftists and Palestinians, according to a statement by Riyadh, have also agreed to a cease-fire but have not responded to the conditions imposed by the Christians.

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25X1 [] //The hardening Christian position will complicate any negotiations. The Arab League peace-keeping forces are not likely to accomplish much toward a cease-fire. The newly arrived Saudi and Sudanese contingents are apparently huddled in the Beirut airport area and have shown no disposition to get involved in the fighting.// []

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SUDAN

[] Sudan's President Jafar Numayri apparently has again foiled an attempt by military plotters to oust him.

[] Small arms fire continued in Khartoum throughout the evening hours yesterday, but forces loyal to Numayri have the situation under control and are now conducting mopping up operations in various parts of the capital.

[] Fighting erupted shortly after the Sudanese leader returned early Friday from a three-week visit to the US and France. Rebel strength appears to have been centered in an armored unit based on the outskirts of Khartoum.

[] Tanks and armored personnel carriers attacked the presidential palace, army headquarters, and the airport. Fighting apparently was heavy in some parts of the city.

[] We do not know the identity or political views of those behind the coup attempt.

[] Although fierce fighting took place in the vicinity of the US embassy, no Americans were harmed. []

CHINA-TAIWAN

[] Chinese Nationalist military authorities reported that Chinese forces on the mainland this morning fired 122-mm. field artillery at a small uninhabited island just west of the Nationalist-held island of Kinmen (Quemoy). The Nationalists believe the 32 shells were registration rounds, suggesting that more shellings are in store.

[] This is the first time in many years that the Chinese have fired live rounds at one of the offshore islands, although they periodically fire rounds containing propaganda leaflets toward Nationalist-held positions on Kinmen.

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[REDACTED] //Moreover, the Nationalists discount the likelihood of a Chinese attack against Taiwan at this time. They do not completely rule out the possibility that the current exercises could be a prelude to an eventual attack or invasion of some of the Nationalist-held islands such as Kinmen or the Pratas Islands.//

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[REDACTED] Peking doubtless recognizes the diplomatic risks, especially with the US, that any attack on Nationalist territory would entail.

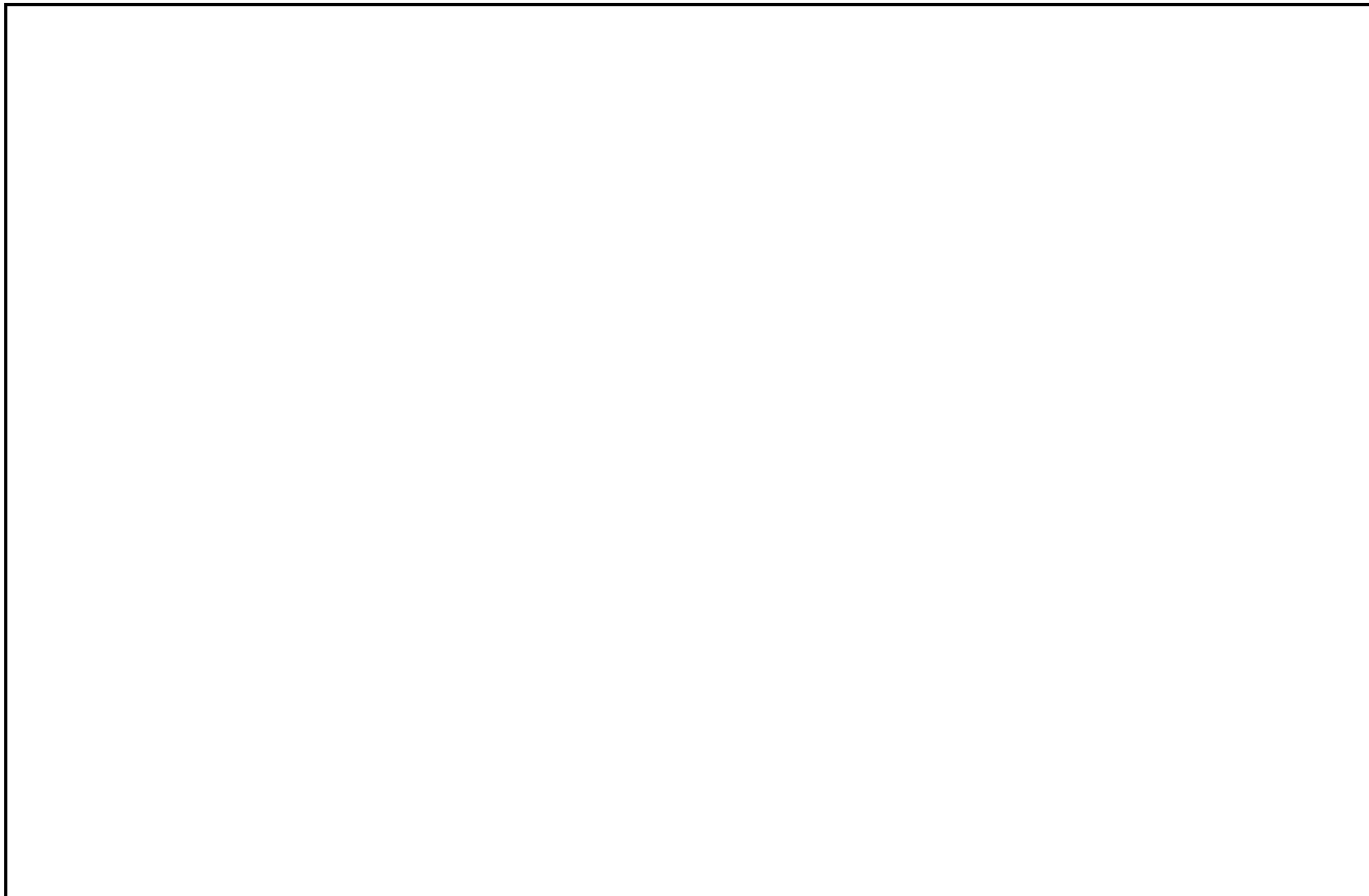
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[REDACTED] Despite the air and naval buildup, the Chinese do not seem to be in position to threaten Kinmen Island, which has a large number of Nationalist troops in strong defensive positions. The Chinese, however, had sufficient forces to move against the lightly defended Pratas Islands, even before the recent buildup.

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SCANDINAVIA-USSR

[redacted] On Thursday the Soviets fired an SS-7 ICBM into a disputed area of the Barents Sea that is under negotiation between Moscow and Oslo to determine an eventual demarcation line.

[redacted] The Soviets had previously announced their intention to fire missiles into the area between July 1 and August 10, and there probably will be additional firings. At that time, Norwegian officials said they viewed the missile-firings as Soviet intentions to reinforce claims in the area and intimidate the Norwegians prior to the next round of talks. There has been no progress in the negotiations.



25X1 [] Oslo is expected to make a demarche emphasizing the threat to shipping and fishing interests posed by the firings. The Norwegians will also urge that the Soviets exercise greater restraint in an area that is the subject of ongoing bilateral negotiations.

25X1 [] //This firing is the latest in a series of Soviet military activities in the Scandinavian area that have worried some of the Nordic countries. Last month, naval forces from the USSR, Poland, and East Germany harassed Danish naval exercises in the Baltic. Although such harassment is not unusual, these incidents were more than usually blatant and may have been in reaction to recent Danish legislation restricting the admittance of foreign warships and aircraft to Danish territory.//

25X1 [] //In February, Danish Defense Minister Moeller warned against Soviet air and naval operations near Danish territorial waters, noting it was becoming increasingly difficult to distinguish between "ordinary and extraordinary operations."//

25X1 [] //Both Norway and Denmark are showing increasing concern over the large number of Soviet forces in the Kola Peninsula. Even neutral Sweden expressed its concern earlier this year when General Stig Synnergren, Sweden's supreme commander, warned of a decline in NATO strength in northern Europe. Synnergren said Warsaw Pact strength in the area was growing faster than that of the Western Alliance and that the Pact's military technology was overtaking that of NATO.//

25X1 [] //The development of off-shore oil leases and the control of fish stocks through ever-widening economic zones have increased interest in the waters around Scandinavia. The exploitation of these resources in both the Baltic and Barents seas could restrict to some degree the Soviet navy's unimpeded access to the Atlantic.//

25X1 [] //This clearly has concerned the Soviets and they may hope that some muscle-flexing will cause the Scandinavians to rescind some of their regulations or tailor the off-shore development to minimize the potential nuisance to Soviet naval activities. At the same time, the Soviets also realize that the political atmosphere in Scandinavia is such that even limited signals will tend to undermine the kind of political inroads Moscow is attempting to make in this part of Europe.// []

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EC

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[REDACTED] //EC interior and justice ministers this week approved new measures to combat terrorism and other forms of organized international crime.//

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[REDACTED] //As a first step, the ministers agreed:

--To increase the exchange of data on past incidents to facilitate development of new methods to deal with future acts.

--To swap information on tactics and training of internal security forces.

--To exchange police personnel.

--To promote direct police contacts for dealing with airplane hijackings, nuclear security problems, and natural and accidental disasters.//

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[] //The ministers established a consultative mechanism among ministries responsible for internal security matters. It will operate outside the EC treaty framework, however, in part to meet French objections. In the past, France has opposed efforts to place cooperative undertakings on internal security matters--the protection of nuclear materials, for example--on a Community basis since they essentially involve police functions outside the EC's jurisdiction.//

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[] //When the ministers meet again in a few months, the West Germans and the British will probably push for approval of an EC convention on terrorism. Bonn seeks an accord that would provide for direct cross-border assistance in specific situations and would define terrorist acts as non-political crimes, making terrorists subject to extradition proceedings. Efforts by Bonn to introduce a resolution at the UN this fall condemning terrorism have failed to secure European support.//

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[] //The treaty is not intended to replace Interpol, which is not equipped to coordinate simultaneous international action. Interpol is limited by statute to act only on non-political offenses and would probably not be influenced by an EC declaration that terrorist acts are non-political. []

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POLAND

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[] Polish Party leader Gierek, in a measured, conciliatory speech yesterday in Katowice, played down the seriousness of last week's disturbances. In the nationally televised speech, he implicitly admitted that his regime had made a mistake and promised to consult extensively with workers before raising consumer prices in the future.

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[] If the party carries through on its promise of genuine, widespread consultations, it may eventually recoup some of its authority. Gierek, however, risks an even further erosion of his and the party's credibility if the promise proves empty and the leadership persists in implying that the disturbances were minor and that Polish workers have always been consulted.

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[] Gierek alluded to the disturbances only by saying that "some deeply regrettable events occurred," adding that it is "inadmissible and harmful" for workers to refuse to discuss difficult problems. His tone indicated that the regime will limit its arrests of demonstrators to the most flagrant cases.

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25X1 [] For the most part, Gierek concentrated on the need to raise prices. With regard to meat supplies, he said the regime "is in no position to satisfy demand in full" and that to increase production there must be a "correct shaping of the level and structure of prices."

25X1 [] In this context, Gierek said prices must be discussed in the press and on radio and television. He added that he expects the discussions to be "frank and open" and to produce specific, constructive proposals. Gierek also said that on the basis of these discussions, the government would work out a "modified conception" of the price changes that would be presented to the people "in due time." That presentation probably will not occur until this fall when parliament reconvenes.

25X1 []
HUNGARY

25X1 [] Shopkeepers in Budapest have told US embassy officers that the price increases on meat, originally slated for implementation last Thursday, will now go into effect Monday. Details of the price hikes reportedly will be published beforehand.

25X1 [] The slight delay in implementing the increases permits the leadership to make a more thorough assessment of the public mood, including reaction to the recent Polish riots.

25X1 [] The government said last November that pork and beef prices would be raised by more than one third and that poultry and fish prices would be increased by nearly 30 percent. According to the embassy, prices on the best cuts of pork may be increased by almost 50 percent.

25X1 [] Hungary, unlike Poland, has gradually raised prices on a number of consumer products without incident over the past several years, most recently last winter. The Hungarian consumer has generally resigned himself to these increases, but there has been evidence of more grumbling than usual.

25X1 [] The government has planned since last November to remove some of the sting of its projected price hikes by simultaneously increasing certain wages and income supplements. []

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MEXICO

25X1 [REDACTED] //The Mexican government's chief concerns tomorrow, presidential election day, will be to avoid an embarrassingly low voter turnout and to head off any terrorist attempts to disrupt the balloting. The outcome of the election is already known. Jose Lopez Portillo, the candidate of the Institutional Revolutionary Party that has governed without interruption for 47 years, is unopposed.//

25X1 [REDACTED] //The government party's pervasive powers and proven voter appeal would assure Lopez Portillo a six-year term even if the election were contested. The only serious opposition group, the conservative National Action Party, could not agree on a candidate in time to make the ballot. Two other small parties, [REDACTED] endorsed Lopez Portillo. Also up for election tomorrow are both houses of congress and one governor.//

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25X1 [REDACTED] //The 23rd of September Communist League has recently increased its terrorist activities and may try to interfere with the election. [REDACTED]

25X1

25X1 [REDACTED] Although the extremist organization numbers only about 50 members, it has killed 20 policemen already this year and also kidnaped the Belgian ambassador's daughter. The government will take extensive security precautions. [REDACTED]

PERU

25X1 [REDACTED] //Peru was quiet but tense yesterday following Thursday's demonstrations and strikes. The disturbances were more widespread than we first believed; at least nine cities in addition to Lima experienced problems. [REDACTED]

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[] The government acted decisively and apparently was united in its determination to use force to suppress opposition to its economic austerity measures. Troops have been authorized to fire on curfew violators and some tanks and armored personnel carriers were used last night to reinforce police patrols.

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[] The most serious challenge to the government thus far has been mounted by the nation's truck drivers, who agreed on July 1 not to purchase gasoline, which has doubled in price. This, in effect, constitutes a general strike and could cripple the country since it is dependent on truck transport to move goods. The drivers could force a roll-back in gasoline prices if they remain unified.

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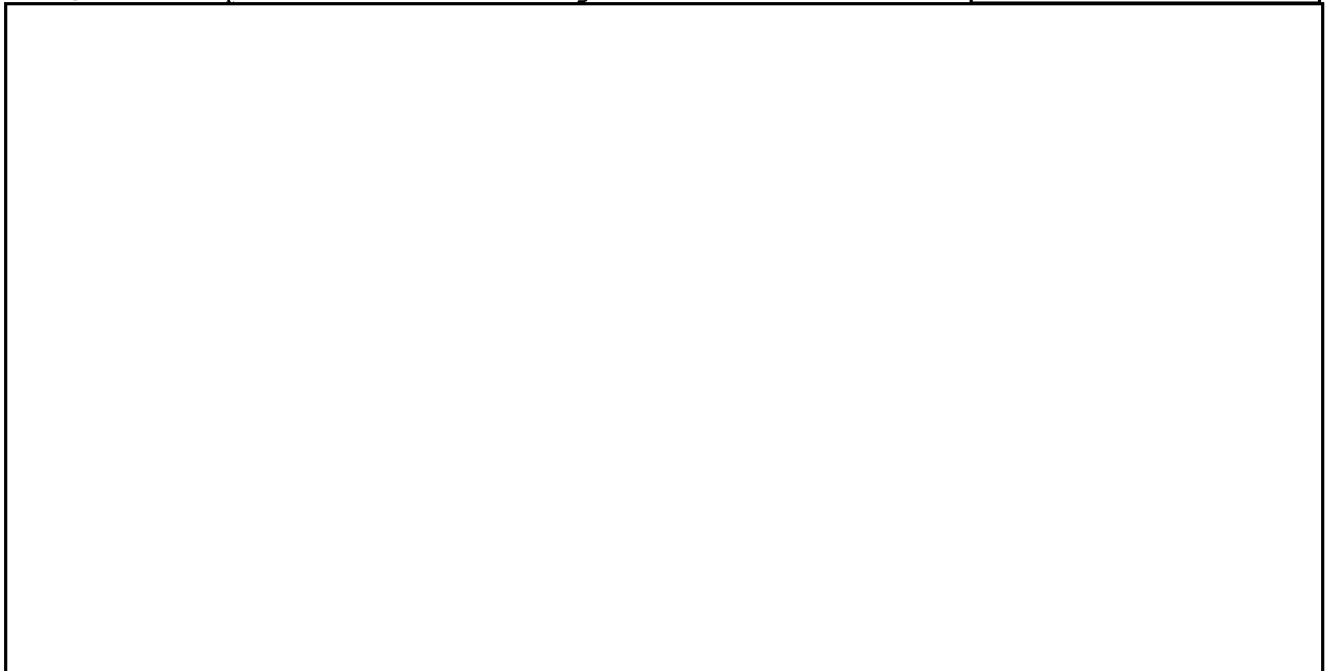
[] In an apparent attempt to reduce discontent over the price hikes, the military government announced on July 1 that it would double the subsidy on basic foodstuffs. The price of basic foodstuffs will, nevertheless, rise substantially.

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[] Whatever happens, President Francisco Morales Bermudez will suffer politically for the abrupt manner in which the economic measures were implemented. //Government leaders expect further strikes and demonstrations in the coming days and they are concerned that communists and ultra-leftists will attempt to take advantage of the situation. []

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BRAZIL

//The Brazilian government, faced with a deteriorating economic situation, most likely will have to modify its risk contract terms in order to conclude contracts with foreign companies to explore for oil.//



Of the 56 companies that have submitted applications to explore for oil, 40 have qualified for participation in bidding. So far, only eight companies and two consortiums have taken the final step of buying the geological and geophysical data on the 10 areas open to foreign exploration. No contracts will be signed until the bidding ends on July 15.

//Domestic economic concerns undoubtedly will be a major factor if revisions are made:

--Brazil imports 80 percent of the oil it uses--a major cause of its serious balance-of-payments problems.

--The state oil monopoly, Petrobras, lacks the capital to undertake expanded exploration on its own.//

--The cost of imported petroleum continues to rise--in the first quarter of 1976 Brazil imported 13.35 percent more crude oil than in the same period in 1975.

25X1 [] //Discovery of oil in significant quantities would boost the prestige of President Geisel's administration, which has been groping for solutions to a worsening economic situation. Geisel must move cautiously on contracts, however, to avoid a politically damaging resurgence of criticism by nationalists who fear foreign control over Brazil's oil industry.// [] 25X1

UNITED KINGDOM

25X1 [] //Strong demand pushed the British pound to \$1.80 at midday yesterday before it fell slightly at the close of trading. Sterling has risen over 4 percent against the dollar since the \$5.3-billion credit line was announced on June 7.//

25X1 [] //A British treasury spokesman says that some drawings have been made on the \$5.3-billion international standby credit since June 22. Bank of England statistics released yesterday indicate that British authorities spent well over \$475 million on exchange market intervention during June. This does not include the drawings against the standby credit. The Bank of England has also been putting pressure on speculators through market operations, driving up the interest rate on Europounds, and increasing the cost of selling sterling in the forward market.//

25X1 [] //Buying pressure on Thursday and early Friday reportedly was due to speculator purchases of pounds to cover past short sales and to commercial demand to meet sterling payments that had been delayed in hopes of obtaining a better exchange rate. Market confidence in the British currency has been boosted lately by the pound's relative stability over the past month and by market rumors of a planned 1-billion-pound cut in government spending next year.//

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[] //The pound's afternoon decline may be explained in part by a report from some exchange dealers that the Bank of England took advantage of its currency's recovery yesterday to replenish some of its foreign currency reserves through sterling sales. []

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ISRAEL

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[] Press reports indicate that one Arab boy was killed and between 15 and 30 Arabs wounded by Israeli security forces yesterday in Nabulus, the West Bank's largest town, during violent demonstrations staged against the Israeli government's decision to increase taxes in the occupied territory.

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[] The demonstrations represent a continuing protest by West Bankers against the Israeli occupation. The new casualties are likely to spark further, possibly violent demonstrations throughout the West Bank in coming days.

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[] The renewed demonstrations ended a period of uneasy calm that had prevailed in the West Bank for the past five weeks. The death of the Arab boy brings to at least 10 the total of West Bankers killed this year during anti-government demonstrations.

25X1

[] On July 1, the government implemented an 8-percent tax on most commercial transactions in Israel proper--part of an overall tax reform measure designed to increase tax revenues. The government does not plan to introduce the new tax on the West Bank. However, it does intend to increase current taxes in the occupied territory next month to guard against West Bank businessmen gaining a competitive advantage over their Israeli counterparts.

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[] In protest against the impending tax increases, merchants in Nabulus, Arab East Jerusalem, and several other West Bank towns closed their shops on Thursday. Arab youths in Nabulus mounted anti-Israeli demonstrations, burning tires and setting up barricades. The protests subsided yesterday, except in Nabulus, where youths continued to agitate. []

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